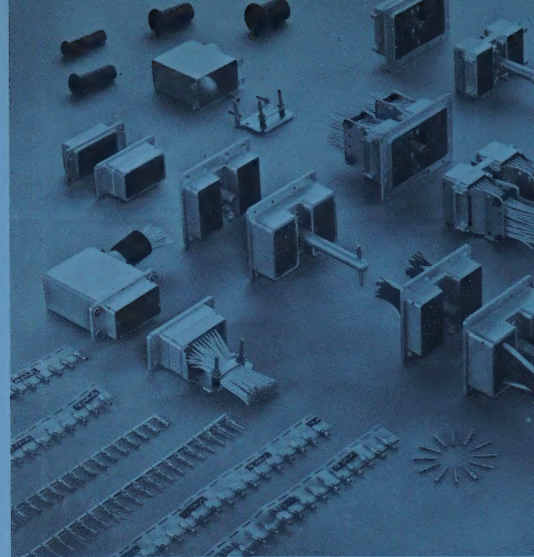
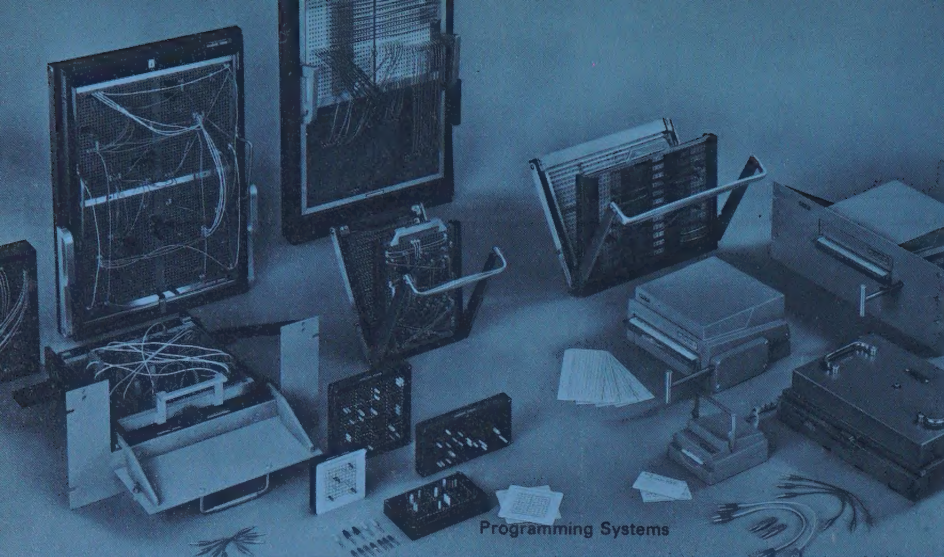


AR53



Annual Report 1965

AMP INCORPORATED / Pamcor, Inc.

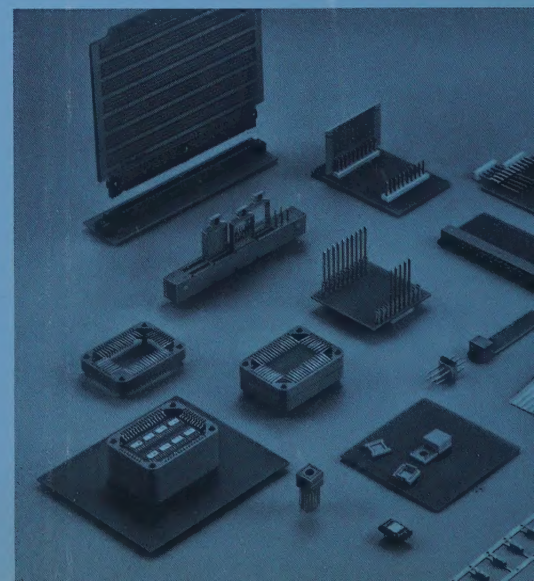
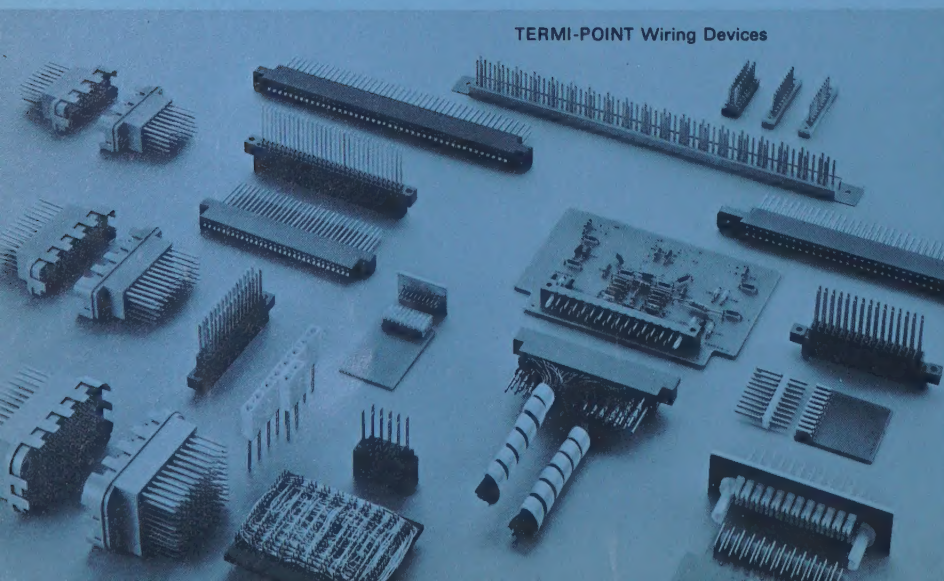


THE COVER portrays the field of electronic communications. There is probably no field today that is undergoing more change, evolving more new concepts, broadening and growing any faster, and harder to capture in a precise definition. Electronic communications not only stands separately in traditional forms such as telegraph, telephone and radio; it is also an indispensable and integral part of many newer fields such as electronic data processing and the control of missiles, vehicular traffic and industrial processes. It is also beginning to have a significant impact in such fields as education, finance, medicine, merchandising and mail service to name a few.

Electronic communications is obviously now a vital part of most aspects of our modern life—and will become more so

in the future. For example—the annual increase in the number of conventional phones, two-way radios, and TV sets per capita continues even while new potentials are being introduced in such areas as video phones, data transmission, community antenna television and operational communications satellites.

This promising field of activity permeates each of AMP's major markets. Many AMP product families—a few shown on this page—are used in all types of equipment now available. For the future, we are working closely with the many AMP customers who operate, manufacture or incorporate communications equipment into their products. In many instances, we will undoubtedly have to develop entirely new techniques to solve the interconnection problems arising as they work on improving and expanding this field.



MARCH
20, 1966

Company Profile

PRODUCTS



Terminals



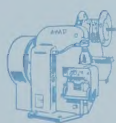
Coaxial Connections



Interconnection Systems



Connectors



Tooling



Programming Systems



Power "Packages"

LOCATION—AMP's General Offices are at Harrisburg, Pennsylvania, with the major portion of its research, engineering and manufacturing facilities within a fifty-mile radius.

COMPANIES—The combined financial statements and, unless otherwise noted, any statistics in the text, cover AMP Incorporated, its Puerto Rican manufacturing affiliate—Pamcor, Inc., and AMP's subsidiaries, all of which are wholly-owned. AMP now has two sales subsidiaries in the United States and Canada; six European manufacturing and sales subsidiaries in France, Great Britain, Holland, Italy, Germany and Spain (formed in 1965); and three other foreign manufacturing and sales subsidiaries in Japan, Australia and Mexico.

MARKETS—Throughout the world, AMP products are marketed directly to thousands of customers for use in the manufacture, maintenance and repair of the products and equipment of almost all industries including aerospace, appliance and other consumer goods, power equipment, transportation, power utility and the vast fields of commercial and military electronics including communications, controls and computers.

PRODUCTS—AMP is a leading producer of solderless terminals, splices, multiple connectors and other wiring devices, and the application tooling to pressure-crimp these devices to electric wires. It also produces patchcord, pinboard and card programming systems, capacitor products, and other electronic components. Over 20,000 variations in type and size of these products are manufactured and sold to AMP customers. Pamcor manufactures terminals and splices under royalty arrangements with AMP.

MARKETS



Aerospace



Military Electronics



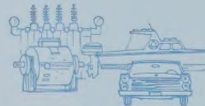
Commercial Electronics



Computer & Data Processing



Consumer Goods



Electrical & Transportation

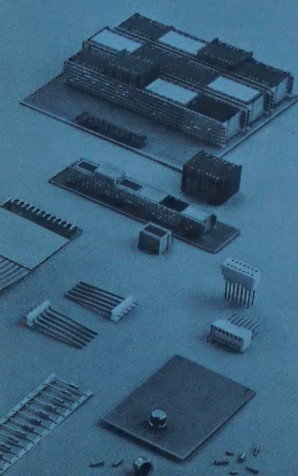


Maintenance, Modernization
& Construction

Multiple Connectors

- 1 RADIO
- 2 RADAR-TELEMETRY
- 3 TELEVISION
- 4 TELEPHONE
- 5 DATA TRANSMISSION

Electronic Interconnection Systems.

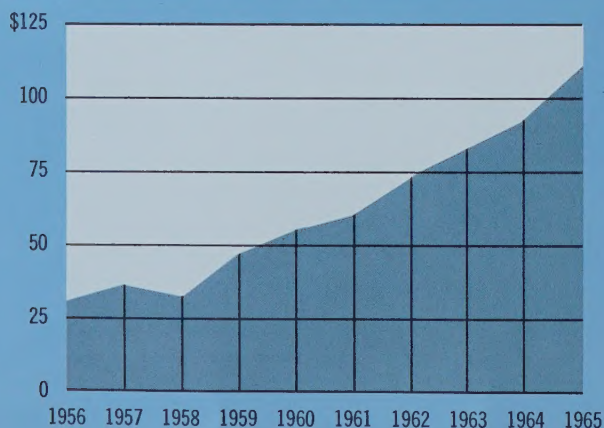


Highlights

	1965	1964
FOR THE YEAR		
Net sales	\$110,942,291	\$91,676,334
Income before income taxes	\$ 22,515,848	\$18,767,853
Net income	\$ 12,447,848	\$ 9,722,853
Per share	\$2.05	\$1.60
Cash dividends	\$ 3,037,038	\$ 2,729,274
Per share	50¢	45¢
Earnings reinvested in		
the business	\$ 9,410,810	\$ 6,993,579
Capital expenditures	\$ 11,816,616	\$ 6,195,095
Depreciation	\$ 4,177,602	\$ 3,614,838
AT DECEMBER 31		
Backlog of unfilled orders	\$ 22,900,000	\$18,900,000
Working capital	\$ 28,645,392	\$26,513,220
Shareholders' equity	\$ 53,025,583	\$43,671,388
Shares of stock outstanding	6,074,702	6,067,045
Number of shareholders	6,233	6,205
Number of employees	7,100	6,050

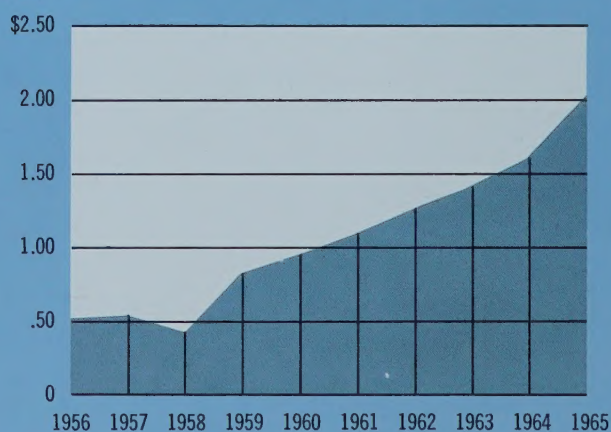
MILLIONS
OF
DOLLARS

SALES



DOLLARS

NET INCOME PER SHARE



To the Shareholders

1965 was certainly a good year for AMP. Sales increased 21% to a record \$110,942,291, and net income advanced 28% to a new high of \$12,447,848 or \$2.05 per Endorsed Share. Backlog during 1965 also rose 21% to \$22,900,000 at year end compared to \$18,900,000 at the previous year end. In the five years since 1960, both sales and net income have doubled. The annual increase was at least 10% in each year and averaged approximately 15% per year.

Our 1965 gains were, as in most years, the result of growth in virtually all of our markets and product lines both here and abroad. We are still growing at a faster rate overseas because of the smaller base and less-penetrated markets. In the last decade we have built worldwide capabilities that today are vital in serving the increasing number of customers who are designing their equipment for manufacture and use all over the world. Today, AMP benefits from the distinct advantages of geographic diversification of its sales through its operations in the United States and ten foreign countries—Canada and Mexico in this hemisphere, six in Europe and two in the Far East. We are continuing to strengthen our international capabilities. In 1965 AMP's subsidiary in Spain was formed. In 1966, we will again expand our facilities in Europe and the Far East. In Japan where we have served customers through a distributor, we expect to participate more directly in the marketing function in order to provide the complete AMP service demanded by the fast-growing Japanese economy.

1965 capital expenditures of \$11.8 million far exceeded 1964's \$6.2 million and the previous high of \$7.9 million in 1963. Expenditures planned for 1966, which are briefly detailed on page 3, exceed 1965's total. They are an indication of our assessment of the good potential for AMP products.

The **TERMI-POINT** and **AMPACT** product programs shown on last year's report cover are making good progress and are expanding in scope. Among the new products released this past year, **AMP-FIT** mechanical tube fittings and the pre-insulated splice connector for the telephone industry appear significant as entries into essentially new fields. Both programs illustrate the large new markets on which we can focus our basic engineering, production and marketing capabilities in seeking new growth opportunities. We expect further participation in both these fields



G. A. Ingalls, left, U. A. Whitaker, center, and S. S. Auchincloss, right, reviewing plans for expansion of AMP facilities.

with additional product developments as we learn more of specific customer needs. Mechanical applications in their broadest sense appear to offer great potential.

The new splice connector and application tooling for the thousands of small wires in telephone cable is only one indication of our heightened interest in the whole field of electronic communications. As our cover theme points out, electronic communications is a changing, growing activity woven into virtually every phase of modern life. AMP products are finding increasing use in traditional as well as the new consumer communication areas. In industry, the growth in the data transmission usage of communications equipment is now surpassing the annual increase in voice usage. The potential for AMP products in military communications is also very apparent—whether in limited warfare or in a defense system for a whole nation.

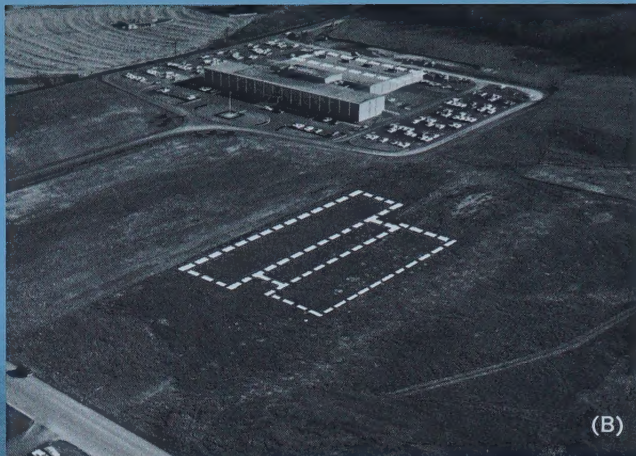
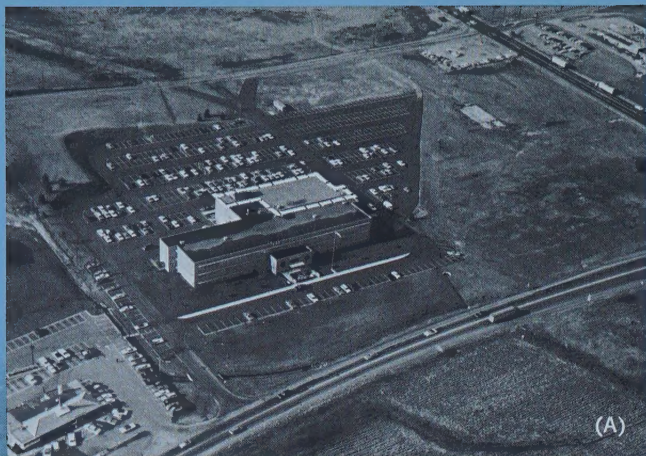
We are serving a diversified range of markets that appear to have above-average growth potential. A number of new products recently released and others still under development will increase our participation in present markets and allow us to enter new markets. Today, with over 7,000 people and a strong financial position, we have truly world-wide capabilities in engineering, production and marketing. Therefore, our future, both immediate and long term looks bright throughout the world and on all three fronts—consumer, industrial and military. While 1966's results will depend to some extent on general economic conditions, we expect it to be a year of good AMP growth.

We are entering our 25th year and look back over a growth from well under one million dollars in sales in 1941 to over 100 million dollars in 1965. For this and the prospect of further growth in the future, we wish to thank our employees, customers and suppliers for their contributions in bringing this about.

Sincerely,

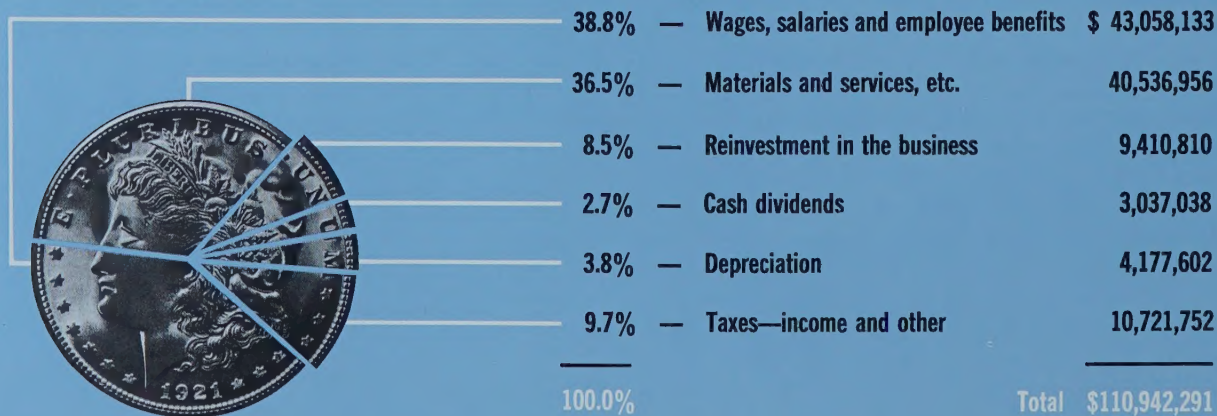
U. A. WHITAKER
Chairman of the Board

March 11, 1966



PICTURES ABOVE indicate the recent additions to the (A) headquarters and (B) principal engineering buildings as well as the site of the 125,000 sq. ft. engineering building to be constructed this year.

The 1965 Sales Dollars were used for:



1965 in Review

Financial

FINANCIAL POSITION—Record sales and net income for the seventh consecutive year contributed to a strong year-end financial position. Sales rose 21% and net income 28%. The percentage gain in net income exceeded the sales gain largely because of a lower combined tax rate.

Shareholders' equity increased 21% during the year to \$53 million as of December 31, 1965—the result of reinvesting \$9.4 million of net income to finance future growth.

Working capital rose \$2.1 million during the year, with current assets exceeding current liabilities by \$28.6 million at year end. Although the record capital expenditures reduced the ratio of current assets to current liabilities, the year closed at a very sound 2.6 to 1.

CAPITAL EXPENDITURES of \$11.8 million were the highest in the history of the Company, nearly twice the \$6.2 million spent in 1964. These expenditures included the purchase of the headquarters building previously occupied under a lease, a 40% enlargement of that building, additions to our principal engineering, Carlisle engineering and Plastics Division buildings, and the construction of a new 35,000 sq. ft. warehousing and shipping facility in Central Pennsylvania. We also purchased a building to house a new manufacturing operation in Clemmons, North Carolina, and completed construction of a new 40,000 sq. ft. facility at Frankfurt, Germany. The total also included substantial increases in production machinery, research and development equipment and in AMP-owned application tooling supplied to customers.

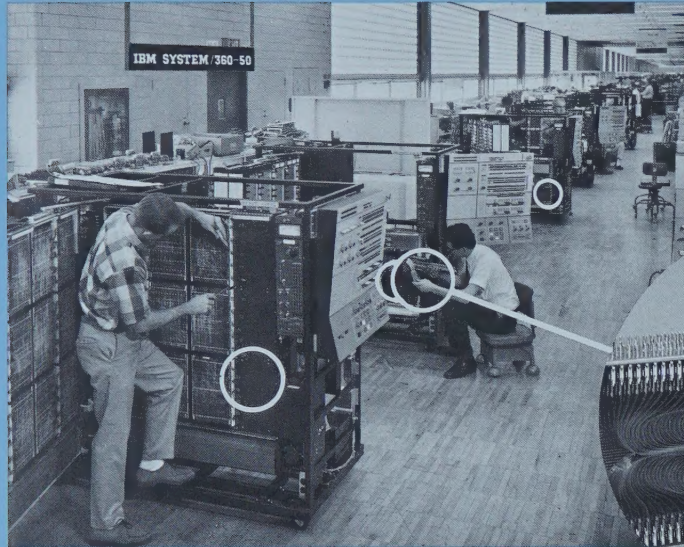
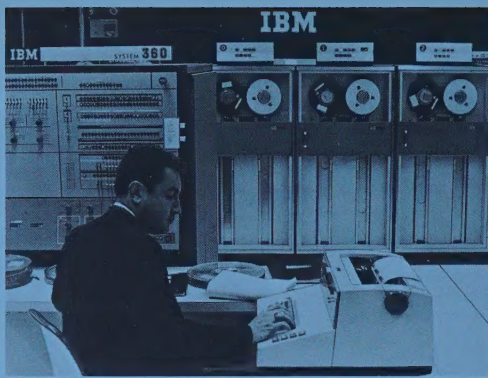
Capital expenditures planned for 1966 exceed the \$11.8 million expended in 1965. In addition to the usual numerous plant and equipment increases throughout the Company, current plans include a

new 125,000 sq. ft. engineering building in Harrisburg and a number of smaller additions to our domestic facilities, acquisition of land for a new plant in Holland, and the start of an addition to our plant in Japan. The new engineering facility will be adjacent to our present principal engineering building and will allow closer integration of interrelated divisional activities of engineering, test laboratories and model shops to facilitate development of new products.

THE SOURCE AND APPLICATION OF FUNDS statement below summarizes the comparative 1965 and 1964 financial activity.

	1965	1964
	(Dollars in Thousands)	
FUNDS WERE PROVIDED FROM—		
Net income.....	\$12,448	\$ 9,723
Expenses not requiring current cash outlays:		
Depreciation.....	4,178	3,615
Deferred income taxes.....	405	421
Others.....	(4)	(87)
Miscellaneous sources, net.....	59	220
	<u>\$17,086</u>	<u>\$13,892</u>
AND WERE USED TO—		
Increase working capital.....	\$ 2,132	\$ 4,868
Acquire plant and equipment...	11,817	6,195
Reduce long-term debt.....	100	100
Pay dividends to shareholders..	3,037	2,729
	<u>\$17,086</u>	<u>\$13,892</u>

DIVIDENDS—The quarterly combined cash dividend of 15¢ per AMP Endorsed Share paid on March 1, 1966 (consisting of 10¢ from AMP and 5¢ from Pamcor) indicates an annual rate of 60¢ per share compared to 50¢ per share paid during 1965. This is the eighth consecutive annual increase of more than 10% and the thirteenth consecutive annual increase.



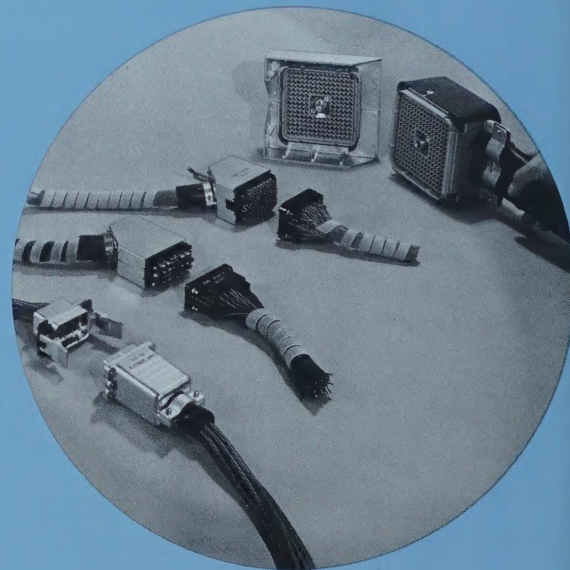
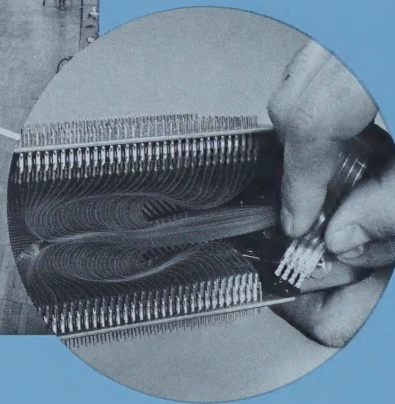
IBM—Poughkeepsie, N.Y.

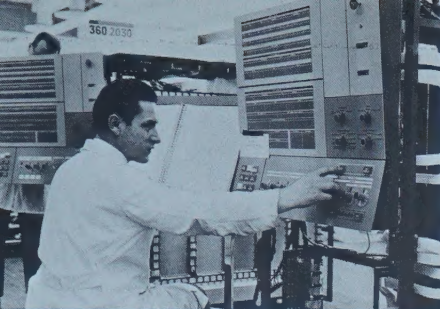
AMP AND THE IBM SYSTEM/360

Continuing a long-time worldwide relationship, AMP, through its domestic operations and various overseas subsidiaries, currently supplies dozens of different products for IBM's expanding System/360 program. AMP continually proposes new products for the various computers as well as for the many types of peripheral equipment—a direct result of our close liaison with IBM here and abroad.

The circle picture above shows AMP-MODU contacts connecting the flexible flat cables in the memory units—one of a number of uses in the System/360.

The circle picture to the right shows a few of the many different AMP multiple connectors used in the System/360.





AMP—Frankfurt, West Germany—New 40,000 sq. ft. facility completed in late 1965.

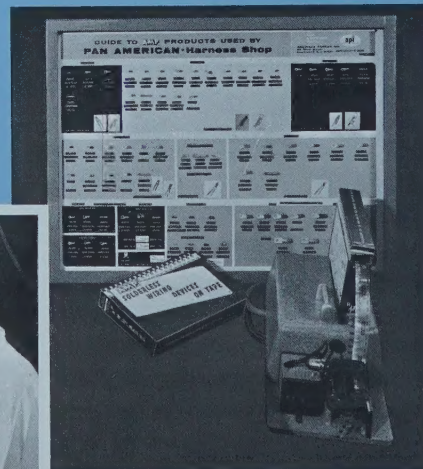
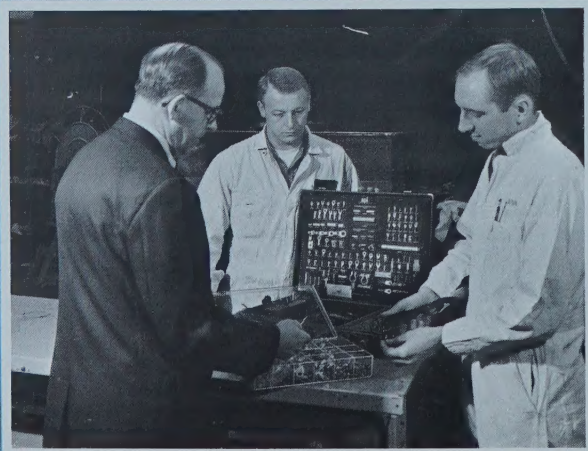
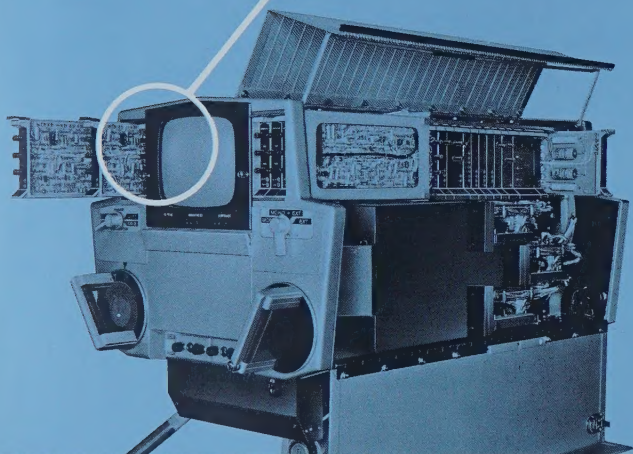
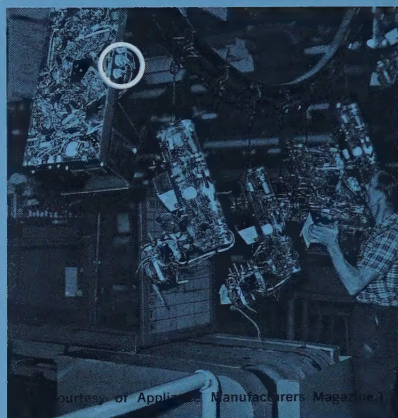
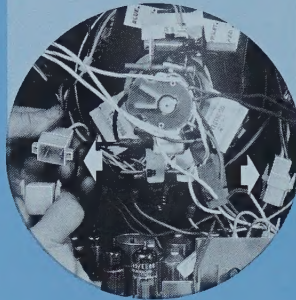
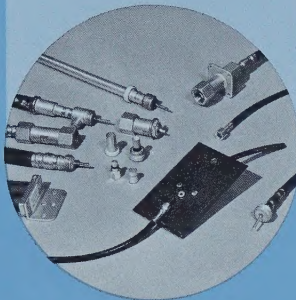
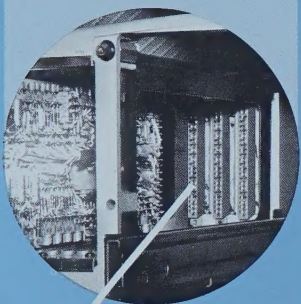
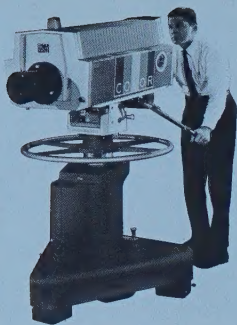
Operations

A little over a decade ago it became apparent to AMP that full exploitation of the rising worldwide potential for its products would require truly "worldwide capabilities" and could not be realized solely through exports, distributors, or other indirect participation. In 1952 we started operations in Canada and Europe and began building an organization abroad whose personnel and facilities would eventually parallel our domestic capabilities. In 1957 we opened our operations in the Far East and in 1960 formed our subsidiary in Mexico.

Today, AMP has ten wholly-owned subsidiaries operating outside of the United States whose inclusion increased AMP's combined income by some \$3.1 million in 1965—approximately one-fourth of the total. While these measurable results speak for themselves, there is another significant benefit that continues to grow as the world shrinks. As many of our largest customers are becoming truly international organizations, worldwide capabilities are increasingly important in having our components specified in their initial designs. AMP and its subsidiaries can provide their domestic and foreign operations with similar design liaison, production service, and field engineering follow-up wherever and whenever it is needed.

These wholly-owned subsidiaries employ some 2,500 people, utilize over 500,000 sq. ft. of floor space, and have, in varying degrees, the capabilities in engineering, production and sales to carry on the full range of AMP activities. Increasingly, they are adapting new products to the special needs of their customers—and for possible use in markets elsewhere. In production, most now have the capability to manufacture any of the more sophisticated AMP products as the local market for them is developed. Further, for fullest efficiency, the manufacturing capabilities in Europe are being developed as a coordinated unit—thus avoiding unnecessary duplication of facilities. In marketing, the same basic approaches are used overseas as here. One sales force in a subsidiary deals with the diverse range of original equipment makers—working closely at all stages of their design and production. The other sales force serves the many thousands of customers needing AMP products in maintenance, repair, modernization and construction.

This then is what AMP means by worldwide capabilities and why these capabilities have become so necessary for continued growth here as well as abroad.



TV—AMP PRODUCTS ARE USED IN ALL PHASES OF THIS FAST-GROWING FIELD.

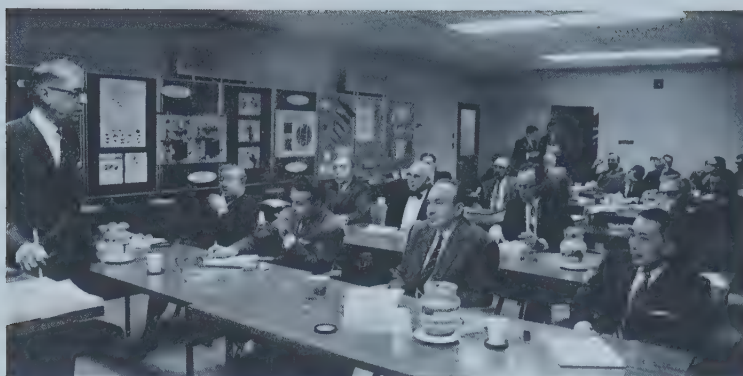
Far left—AMP-LEAF multiple connectors for printed circuit boards—one of many AMP products used in RCA's new TK-42 color TV camera and other studio and broadcasting station equipment.

Middle—A new way AMP is participating in the TV field—a whole family of connectors, splices, and other fittings for the rapidly expanding area of community antenna TV and closed circuit systems.

Immediate left—Over a dozen TV set manufacturers use terminals, splices, phono plugs, multiple connectors and other AMP products. The AMP MATE-N-LOK multiple connectors shown speed assembly of Motorola color TV sets.

AMP PRODUCTS ARE USED BY AIRLINES AROUND THE WORLD!

The same high quality AMP products used by aircraft manufacturers here and abroad are also used by Pan American World Airways and virtually every other major airline in the world. AMP terminals, splices, multiple and coaxial cable connectors and other wiring devices are used in their continual maintenance and modification of the electrical wiring and electronic gear in planes and ground equipment. Through subsidiaries in major industrial countries, our world-wide marketing organization can provide airline locations with fast delivery, customized kits, application tooling and training of airline personnel in the use of AMP products.



Sales Managers of AMP's overseas subsidiaries being briefed on a new product program during one of their periodic visits to the U.S.

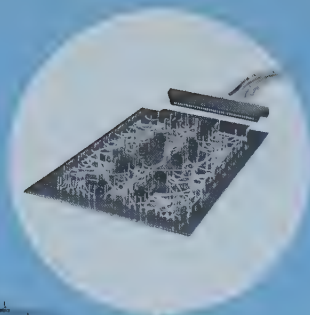
Marketing

In marketing new products, each company has its own unique approach. At AMP, each new product family requires different promotional treatment to create market understanding of its merits—depending on what the markets are, the "state of the art," the competitive situation and many other factors. Advertising, exhibits, seminars, technical papers, etc., supplement the main activity of personal contact with customer personnel in engineering, purchasing, quality control and production.

But marketing at AMP does not end with the traditional selling function. It also plays a vital part in the process of developing new products. In addition to more formal market research, new product ideas for the varied industries we serve are generated and put into practical, saleable form through continuous close liaison with customers. This market-oriented development work takes the persistent, sustained efforts of many AMP people to make the modifications and provide the market exposure usually necessary to a new development. The **TERMI-POINT** and **AMPACT** product programs are good examples of this. Customer interest in both continues to rise and both have promising potential.

The **TERMI-POINT** automated wiring devices program has come a long way in improving and simultaneously expanding a complex family of devices and associated products that apply a new concept to the rapidly changing electronic markets. We are creating full field service capability, essential for present applications, and bringing along further designs of posts and clips, connector and interconnection hardware, manual and powered hand tools and numerically controlled application machines. With well over 100 customers in various stages of using or evaluating these products and services, we are continuing to refine the application of our present products and to broaden the program as we learn of specific needs and discern general trends.

The **AMPACT** product program for the power utility field illustrates a different marketing situation. The powder-actuated tools and wedge-type connectors also introduce a new concept. But here the challenge lies in taking a product family that is now fairly well set in design and continuing the relatively slow educational process required in selling to a more conservative field, where most new concepts are cautiously phased into use. However, to date some 50 of the major utilities are in various stages of using or evaluating **AMPACT** products.

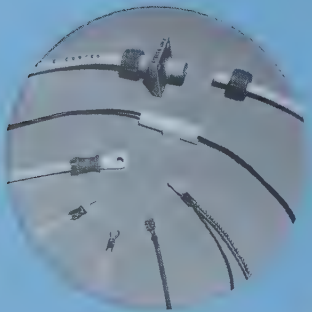
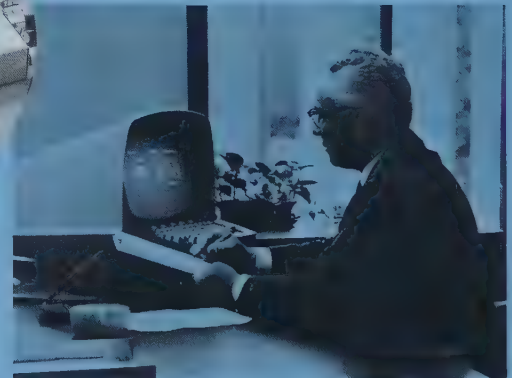


DATA TRANSMISSION is a growing market for AMP—which has long served the manufacturers of both data processing and communications equipment.

In Friden's 2201 Data Transmission Network (at left), printed circuit logic cards are wired with TERMI-POINT devices and plugged into TERMI-TWIST connectors. In addition, the FLEXOWRITER automatic writing machine uses AMP terminals and "M" series connectors.

In Control Data's Computer Inquiry and Retrieval System (below) an AMP "M" series connector links each visual display desk unit to the master unit that transmits and receives data to and from the computer. A variety of other AMP products are used throughout the system.

In the Xerox LDX (Long Distance Xerography) (left below), a number of AMP products are used in both the Scanner which electronically transmits the document images and the Printer which instantly reproduces an exact copy.



AT RIGHT—AMP's new splice for telephone cable underwent extensive field testing by General Telephone Company of Florida. Pictures, left to right, show the use of the rack-mounted manual tool on overhead lines, in a trench and in a vault—and finally, a completed cable bundle of over 1500 pairs of spliced wires.

Research, Development and Engineering

Certain trends in AMP's recent new product activity, not at all peculiar to AMP, continue. One is the ever broadening scope of this activity—for example, our expanded interest in the telephone industry, our development of products for the community antenna television market, and our entry into an entirely new product field of mechanical fittings for connecting tubing. Another is the growing complexity and "complete family" approach involved in new products—epitomized in the **TERMI-POINT** product program but evident in many others. A third is our progress toward worldwide engineering capabilities, particularly the design of new products adapted to local conditions.

Despite sharply increased sales, expenditures for the creation and application of new and improved products and processes continue at approximately 12% of sales. The number of people engaged in this activity continues to grow and now exceeds 1,000. The number of U.S. and corresponding foreign patents, issued and pending, increased to over 6,400 at year-end 1965.

Most of our exploratory and development work is still centered on the problems encountered in connecting electrical and electronic circuits—a field of apparently modest scope. But with the extremely varied, exacting, fast-changing requirements of today's circuitry, it challenges the resources of even a company our size to pursue fully the potential for new products in this area. We still have many possible projects to direct our attention to and must carefully choose between them. The results of some of these choices are discussed below.

Terminals, Splices, Contacts, etc.—AMP has long had the most complete line of terminals and splices of any company. Thousands of different types and sizes are offered. Just as important, an ever-widening variety of hand and power tools and semi-automatic and automatic machines is available for quick, easy, uniform application to wires. The flow of new products in this area remains strong. For example, in the **FASTON** product family recent releases include post-insulated, reversible, dual-tab and miniaturized versions, and a line of **TERMI-FOIL** connectors for aluminum and copper foil conductors having **FASTON** tabs for quick connection and disconnection.

AMP's "phono plug" line of pluggable contacts for shielded wires in TV, radio and stereo sets is receiving good acceptance and additional sizes are being added. Other new termination products include connection contacts for printed circuit boards, fluorescent lamp starters, and electronic power packages, as well as for such varied fields as aircraft ignition systems, underground cables at airports, trace heating cables used in pipelines, and buoyant antenna cable for submarines.

Telephone Industry Products—AMP's new open-barreled pre-insulated splicing connector for outdoor telephone cable and rack-mounted applicator tool received very good acceptance in extensive field testing by General Telephone Company. Other new developments to penetrate this large field include cable closure coverings for spliced cable as well as **TERMI-POINT** wiring devices and other products for switching and transmitting equipment.



BELOW

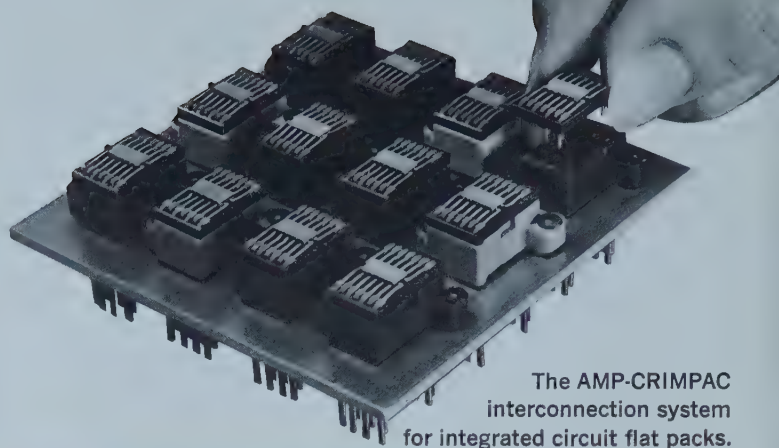
A contrast in connectors—(above) a 6-position AMPPOWER connector for high-current electrical equipment and (below) a 58-position CH-AMP subminiature connector for low-current electronic control circuits.



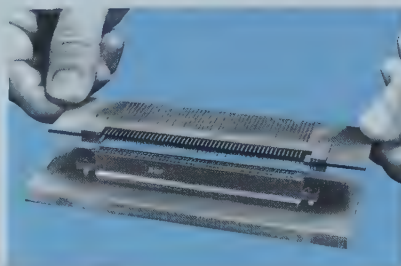
Multiple Circuit Connectors—During the year, new configurations and variations were added in over a dozen of AMP's multiple circuit connector families for various electrical and electronic fields. Product releases included connectors for conventional wires and cables, flexible flat cable, printed circuit boards, integrated circuits, back panel wiring and other types of circuitry. This activity was most evident in some of the more recently-established lines such as AMP-TAB, AMPMODU, TERMI-TWIST and TERMI-GRID connectors. The MATE-N-LOK commercial pin and socket connectors are proving extremely adaptable in many fields including, for example, special applications in Ford automobiles and trucks. The recently developed subminiature cylindrical connector line for both military and commercial applications, formally introduced under the trademark CH-AMP, was expanded in the number of sizes and types available.

We continued to add new connector families. The AMPPOWER connector is our latest product entry into the large market for power connectors for electrical and electronic equipment. Another new family of connectors, starting with a compact 100-position board-to-board connector with .075" spacing between contacts, is based on a versatile, miniature-size, box-type contact. Among the many other connector products developed were two new pin and socket contact types, one for low current and another for high current commercial use, a new contact for flexible flat cable connectors, and a connector that facilitates quick testing and installation of electrical relays.

Coaxial Cable Connectors—Here also the activity is a combination of extending established product lines and of creating new ones. We are expanding the COAXICLAMP connector and splice family for semi-rigid coaxial cable because of its good initial market reception—e.g., it is being used in Ling-Temco-Vought's A-7A Corsair II. For the rapidly growing community antenna TV field and other closed circuit



The AMP-CRIMPAC interconnection system for integrated circuit flat packs.



100-position miniature connector with new box-type contacts.

TV systems, we added a number of items to offer a wide range of connectors, splices, house grounding blocks and other fittings. In response to the rising use of high frequency flexible coaxial cable in electronic equipment, we developed—our first coaxial patch panels; a new method of connecting coaxial cable directly to printed circuit boards; COAXICON contacts for the new CH-AMP subminiature cylindrical connectors; and a modular connection system incorporating COAXICON and AMPMODU contacts. For the critical connections needed between sections of wave guide conductors, we developed a bolted flange connector for test, laboratory and low volume usage, and a crimped flange connector for higher quantity use.

TERMI-POINT Products—In order to expand this program on a sound, long-term basis, much development work is being done on these versatile point-to-point wiring devices and related products. Miniaturization of clips and posts continues, the TERMI-TWIST and TERMI-GRID connector families are growing, bus bars with posts accepting TERMI-POINT clips were introduced, and wider use is being made of AMPMODU contacts with such posts. Several "packaging" systems were developed in which interconnections are made by TERMI-POINT wiring devices. In the application tooling area, we are now producing quantities of a lighter, smaller, faster, pneumatic application gun; and development work continues on new versions of an electrical tool, manual tools and field service tools. We also greatly increased the speed of the

TERMI-POINT numerically controlled application machine. In addition, supplying pre-wired panels to customers offers a good alternate to training his personnel in the use of **TERMI-POINT** tooling. We can translate a customer's circuit design or wiring specifications into a tape program, supply the panels and connectors, and ship fully-wired panel assemblies ready for connection into the customer's equipment.

Interconnection Systems—We continue to devote a good deal of attention to new interconnection systems for integrated circuits—systems that provide the desired miniaturization, modularization, and maintainability; meet the latest reliability requirements; and reduce costs through automated assembly. Several new AMP systems are presently being exposed to the electronics industry. The new **AMP-CRIMPAC** system, shown on page ten, is one of the first in which integrated circuit "flat packs" are crimped into place—an AMP application machine crimps all 14 leads simultaneously. In another system, integrated circuits can be mounted in a fixed pattern on economical, identically constructed printed circuit boards and their function then determined by the pattern of circuit interconnections made with **TERMI-POINT** wiring devices (see page 8 for an example of this system used by Friden).

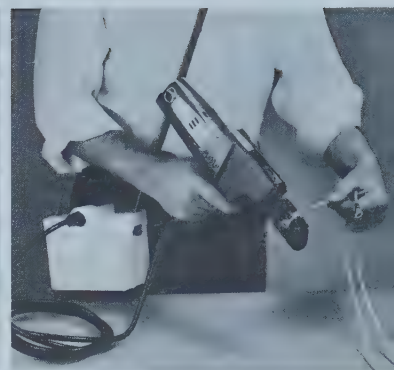
Programming Systems—Our "card reader" product family is finding growing use in automation applications by affording economical programming capabilities through the use of standard tabulating cards. Recent new card readers accept the information from a wallet-size card. With hand-operated and motor-driven units in indoor and outdoor versions, these programming devices are designed for use in the fast rising field of electronic data collection and transmission—applications such as an untended bulk oil station operation or a retail credit system.



Card reader for outdoor applications.



AMP-FIT connection fittings and crimping tool for pneumatic tubing.



Battery-powered crimping tool.

Mechanical Fields—The **AMP-FIT** tube fitting program is our first major entry into a nonelectrical market. This program is built around a new technique of precisely crimping fittings onto pneumatic tubing of all types—the usual copper, steel, or plastic—and for the first time will also provide a workable method of connecting less-expensive aluminum tubing. Compared to the traditional threaded or soldered fittings, it offers definite space and reliability advantages while lowering installed cost. Our initial marketing efforts will be focused on pneumatic tubing carrying pressures up to 100 pounds per sq. inch, for controls in the chemical, petroleum and similar continuous process industries, and in building comfort control systems. We are making extensive exploration of other types of nonelectrical products that can logically utilize our basic mechanical engineering and production know-how.

Tooling—One of AMP's strongest points is the ability to supply, as an integral part of each new product development program, well-designed application tooling that effectively solves the customer's problem. The current tooling development activity ranges from the new principles used in an electro-mechanical hand applicator tool; to new types of lightweight, simple bench machines; to "staking" machines that attach **AMPMODU** and other contacts onto printed circuit boards; and finally to more complex **AMPOMATOR** lead making machines and numerically controlled **TERMI-POINT** machines that advance the "state of the art" in machine design.

Research, Development and Engineering at AMP will certainly go beyond the results mentioned above and should carry us beyond the present scope of our principal products. Some of our present development work is aimed at entering new market areas in which we have not participated before, but which offer new potential for our engineering and production capabilities.



LIMITED WARFARE CAPABILITIES

rely on many AMP products. In the **top picture**, AMP-MECA interconnection systems and connectors are used in the Bullpup missile guidance system carried by the Navy-Douglas A-4 and other planes. In the **middle picture**, a variety of AMP products are used in the Boeing Chinook helicopter, the A-4 and virtually every other U.S. military aircraft. In the **bottom picture**, an AMP TERMINI-POINT automatic wiring machine is shown at Hughes Aircraft Company wiring a panel of AMP TERMINI-TWIST connectors—one of many types of AMP products used by Hughes and many other prime contractors making missile controls, detection systems, and communications equipment.

AMP INCORPORATED & Subsidiaries and Pamcor, Inc.

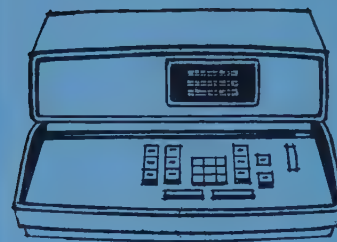
Summary of Financial Data⁽¹⁾

(Dollars in thousands)

	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
<i>For The Year—</i>										
NET SALES	\$110,942	\$91,676	\$82,835	\$73,233	\$61,163	\$55,158	\$47,555	\$31,378	\$36,097	\$32,299
COST OF SALES	<u>62,000</u>	<u>50,322</u>	<u>45,987</u>	<u>39,245</u>	<u>33,130</u>	<u>30,356</u>	<u>25,217</u>	<u>16,743</u>	<u>19,411</u>	<u>17,027</u>
GROSS INCOME	48,942	41,354	36,848	33,988	28,033	24,802	22,338	14,635	16,686	15,272
SELLING & GENERAL, ETC.	<u>26,426</u>	<u>22,586</u>	<u>20,796</u>	<u>18,743</u>	<u>15,773</u>	<u>14,024</u>	<u>12,834</u>	<u>9,832</u>	<u>10,143</u>	<u>8,349</u>
INCOME BEFORE INCOME TAXES	22,516	18,768	16,052	15,245	12,260	10,778	9,504	4,803	6,543	6,923
INCOME TAXES	<u>10,068</u>	<u>9,045</u>	<u>7,510</u>	<u>7,471</u>	<u>5,605</u>	<u>4,965</u>	<u>4,508</u>	<u>2,206</u>	<u>3,192</u>	<u>3,695</u>
NET INCOME	<u>\$ 12,448</u>	<u>\$ 9,723</u>	<u>\$ 8,542</u>	<u>\$ 7,774</u>	<u>\$ 6,655</u>	<u>\$ 5,813</u>	<u>\$ 4,996</u>	<u>\$ 2,597</u>	<u>\$ 3,351</u>	<u>\$ 3,228</u>
<i>Per Share⁽²⁾</i>	\$2.05	\$1.60	\$1.41	\$1.28	\$1.10	96¢	83¢	43¢	55¢	53¢
CASH DIVIDENDS	\$ 3,037	\$ 2,729	\$ 2,423	\$ 2,119	\$ 1,816	\$ 1,614	\$ 1,210	\$ 1,009	\$ 970	\$ 523
<i>Per Share⁽²⁾</i>	50¢	45¢	40¢	35¢	30¢	27¢	20¢	17¢	16¢	9¢
CAPITAL EXPENDITURES	\$ 11,817	\$ 6,195	\$ 7,891	\$ 5,141	\$ 3,507	\$ 4,524	\$ 3,099	\$ 2,060	\$ 2,489	\$ 1,896
DEPRECIATION	\$ 4,178	\$ 3,615	\$ 3,070	\$ 2,696	\$ 2,201	\$ 1,779	\$ 1,472	\$ 1,045	\$ 831	\$ 598
<i>At December 31—</i>										
WORKING CAPITAL	\$ 28,645	\$26,513	\$21,645	\$19,398	\$16,019	\$12,349	\$10,773	\$ 7,767	\$ 7,069	\$ 6,570
PROPERTY, PLANT AND EQUIPMENT, NET	\$ 27,543	\$20,125	\$17,839	\$13,165	\$10,927	\$ 9,757	\$ 7,152	\$ 5,128	\$ 4,365	\$ 2,854
LONG-TERM DEBT	\$ 400	\$ 500	\$ 600	\$ 700	\$ 800	\$ 900	\$ 1,000	\$ 1,100	\$ 1,100	\$ 1,300
SHAREHOLDERS' EQUITY	\$ 53,026	\$43,671	\$36,660	\$30,501	\$24,921	\$20,080	\$15,881	\$12,430	\$10,841	\$ 8,461

(1) The years 1959 through 1965 include all subsidiaries. Prior to 1959, only the domestic subsidiaries are included.

(2) Based on shares outstanding at the respective year-ends after retroactively giving effect to the 3 for 1 stock split in 1961, the 4% stock dividend in 1957 and the stock distribution in 1956.



Combined

AMP INCORPORATED &

ASSETS

As of December 31

	1965	1964
CURRENT ASSETS:		
Cash.....	\$ 1,869,124	\$ 1,898,467
Marketable securities, at cost.....	349,844	4,021,662
Receivables.....	16,098,300	12,948,686
Inventories, at lower of cost, principally average, or market—		
Finished goods and work in process.....	\$11,171,689	\$ 7,915,890
Purchased and manufactured parts.....	10,217,462	6,839,277
Raw material.....	6,033,664	4,610,006
Total inventories.....	\$27,422,815	\$19,365,173
Prepaid expenses, etc.....	1,097,175	920,300
Total current assets.....	\$46,837,258	\$39,154,288
PROPERTY, PLANT AND EQUIPMENT, At cost:		
Land.....	\$ 1,889,077	\$ 1,582,511
Buildings, leasehold improvements and rights.....	11,978,798	7,974,519
Machinery and equipment, etc.....	22,772,667	18,210,923
Machines and tools with customers.....	9,206,408	7,354,948
	\$45,846,950	\$35,122,901
Less—Reserves for depreciation.....	18,304,273	14,997,577
Property, plant and equipment, net.....	\$27,542,677	\$20,125,324
PATENTS.....	\$ 1	\$ 1
	<u>\$74,379,936</u>	<u>\$59,279,613</u>

The accompanying notes to the combined financial

Balance Sheets

Subsidiaries and Pamcor, Inc.

LIABILITIES	As of December 31	
	1965	1964
CURRENT LIABILITIES:		
Current portion of long-term debt.....	\$ 100,000	\$ 100,000
Foreign bank obligations.....	2,880,181	1,446,052
Accounts payable.....	5,660,218	3,777,211
Accrued liabilities.....	3,947,190	3,032,396
Income taxes (less marketable securities of \$1,800,000 and \$3,000,000).....	5,604,277	4,285,409
Total current liabilities.....	\$18,191,866	\$12,641,068
 4½% PROMISSORY NOTE, DUE SERIALY TO SEPTEMBER 1, 1968....	\$ 400,000	\$ 500,000
DEFERRED INCOME TAXES.....	1,326,000	921,000
DEFERRED INCOME AND INVESTMENT TAX CREDIT.....	883,083	992,753
RESERVE FOR CONTINGENCIES APPLICABLE TO FOREIGN OPERATIONS..	553,404	553,404
 SHAREHOLDERS' EQUITY:		
AMP Incorporated—		
Common stock, without par value—		
Authorized 15,000,000 shares, issued 6,240,000 shares.....	\$ 6,240,000	\$ 6,240,000
Pamcor, Inc. (Note 3)—		
Common stock, par value \$1.00 per share—		
Authorized 50,000 shares, issued 20,000 shares.....	20,000	20,000
Retained earnings.....	46,980,537	37,569,727
	\$53,240,537	\$43,829,727
 Less—Treasury stock (165,298 and 172,955 Endorsed Shares), at cost (Note 3).....	214,954	158,339
Total shareholders' equity.....	\$53,025,583	\$43,671,388
	\$74,379,936	\$59,279,613

Statements are an integral part of these statements.

**COMBINED STATEMENTS OF INCOME
AND RETAINED EARNINGS**

AMP INCORPORATED & Subsidiaries and Pamcor, Inc.

For the Years Ended December 31

	1965	1964
NET SALES	\$110,942,291	\$91,676,334
COST OF SALES	62,000,695	50,322,780
Gross income.....	\$ 48,941,596	\$41,353,554
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	26,511,970	22,571,138
Income from operations (after deducting depreciation of \$4,177,602 in 1965 and \$3,614,838 in 1964).....	\$ 22,429,626	\$18,782,416
OTHER INCOME (Deductions), Net	86,222	(14,563)
Income before income taxes.....	\$ 22,515,848	\$18,767,853
INCOME TAXES (including deferred income taxes of \$478,000 in 1965 and \$421,000 in 1964).....	10,068,000	9,045,000
NET INCOME	\$ 12,447,848	\$ 9,722,853
<i>Per Endorsed Share</i>	\$2.05	\$1.60
RETAINED EARNINGS, BEGINNING OF YEAR	37,569,727	30,576,148
	\$ 50,017,575	\$40,299,001
LESS—CASH DIVIDENDS ON COMMON STOCK BY:		
AMP Incorporated.....	\$ 1,822,223	\$ 1,516,263
Pamcor, Inc.....	1,214,815	1,213,011
Total Dividends (50¢ and 45¢ per Endorsed Share).....	\$ 3,037,038	\$ 2,729,274
RETAINED EARNINGS, END OF YEAR	\$ 46,980,537	\$37,569,727

Net income reflects net income of Pamcor, Inc. of \$1,479,885 in 1965 and \$1,239,814 in 1964, after elimination of affiliated company profit in inventory.

The accompanying notes to the combined financial statements are an integral part of these statements.

AMP INCORPORATED & Subsidiaries and Pamcor, Inc.

- (1) The financial statements of Pamcor have been combined with those of AMP and its subsidiaries (all wholly-owned), since each company has substantially identical shareholders. By trust agreement, Bankers Trust Company holds Pamcor common stock for the benefit of those AMP common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in the Pamcor common stock held in the Trust. This interest is not transferable separately.

At December 31, 1965, 15,412 Pamcor common shares were held in trust for holders of 4,808,544 AMP endorsed common shares (including 165,298 in AMP Treasury). The undeposited 4,588 Pamcor common shares are expected to be ultimately deposited in trust; and, as they are deposited, Bankers Trust Company will exchange Endorsed Shares of AMP common stock for the 1,431,456 unendorsed shares.

Unless certain provisions of the Pamcor Articles of Incorporation are complied with, undeposited Pamcor common shares, upon transfer, are converted into Class B common stock, having no voting rights or dividend privileges, and having restricted rights upon liquidation. The total authorized common stock of Pamcor (including Class B, none of which was outstanding at December 31, 1965) is 50,000 shares.

- (2) At December 31, 1965, AMP's equity in the net assets of its subsidiaries operating in Canada, Mexico and eight other foreign countries was \$11,651,492 in excess of the amount at which the investments and advances were carried on the books. The additional

net income for the year 1965, as a result of including these foreign operations, amounted to \$3,098,836. The accounts of these foreign operations have been converted to U.S. dollars at the official rates of exchange and there are presently no currency restrictions in the various countries involved which would significantly affect the remittance of funds to AMP.

No provision has been made in consolidation for U.S. income taxes payable when dividends are received from foreign subsidiaries since AMP would receive a foreign tax credit which would substantially eliminate all U.S. income taxes on such dividends. The reserve (\$553,404) for contingencies applicable to foreign operations is considered adequate to cover unusual and extraordinary losses, if any, that may be incurred.

- (3) All of the AMP Endorsed Shares held in the treasury are reserved for the payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan adopted by the Board of Directors. The number of shares to be distributed is determined by the appreciation in the market value of the Company's stock. During the year ended December 31, 1965, 11,623 shares were distributed under the provisions of the Plan. For awards granted before and outstanding on December 31, 1965, and based on the market value as of that date, 105,520 shares would be distributed in the years 1966 to 1975 and thereafter.

In addition, AMP Incorporated holds in its treasury at a cost of \$30,000 all of the 3,000 issued shares of Pamcor's preferred stock (authorized 4,000 shares, 50¢ cumulative, voting, par value \$10.00 per share).

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.

1617 JOHN F. KENNEDY BOULEVARD
PHILADELPHIA, PENNSYLVANIA 19103

To the Shareholders and Boards of Directors,
AMP Incorporated and Pamcor, Inc.:

We have examined the combined balance sheet of AMP INCORPORATED (a New Jersey corporation) and subsidiaries and PAMCOR, INC. (an affiliated Puerto Rican corporation) as of December 31, 1965 and the related combined statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Financial statements of the foreign subsidiaries were not examined by us, but we were furnished with reports thereon of other auditors. Similar examinations had been made for the year ended December 31, 1964.

In our opinion, based upon our examination and upon the reports of other auditors, the accompanying combined balance sheet and combined statements of income and retained earnings present fairly the combined financial position of AMP Incorporated and subsidiaries and Pamcor, Inc. as of December 31, 1965, and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 18, 1966

Arthur Andersen & Co.

AMP SUBSIDIARIES

(all wholly-owned and included in combined results)

American Pamcor, Inc.,
Valley Forge, Pa.

Aircraft-Marine Products of Canada, Ltd.,
Toronto, Canada

AMP de Mexico, S.A.,
Mexico City, D.F. Mexico

AMP de France
Paris, France

AMP-Holland N.V.,
's-Hertogenbosch, Holland

Aircraft-Marine Products (Great Britain) Ltd.,
London, England

AMP Italia S.p.A.,
Turin, Italy

Deutsche AMP G.m.b.H.,
Frankfurt, Germany

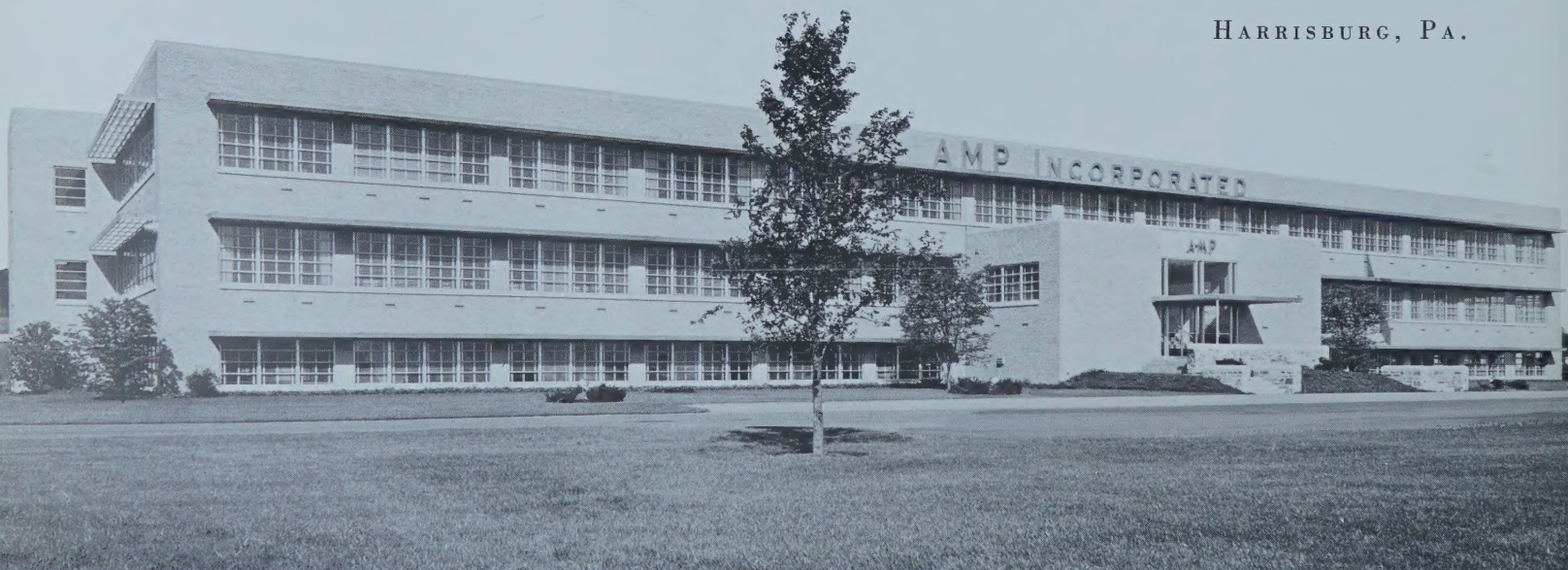
AMP Española, S.A.,
Barcelona, Spain

AMP (Japan), Ltd.,
Tokyo, Japan

Aircraft-Marine Products (Australia) Pty. Ltd.,
Sydney, Australia

AMP INCORPORATED

HARRISBURG, PA.



TRANSFER AGENTS

Bankers Trust Company
16 Wall Street
New York, N.Y. 10015

The Corporation Trust Company
15 Exchange Place
Jersey City, N.J. 07102

REGISTRAR

Morgan Guaranty Trust Company of New York
30 West Broadway, New York, N.Y. 10015

THE ANNUAL SHAREHOLDERS' MEETINGS

The annual shareholders' meetings of AMP Incorporated and Pamcor, Inc. are held the fourth Thursday of April. Formal notices, proxy statements and forms of proxy will be mailed on or about March 25, 1966, to shareholders of record on March 11, 1966 as to the April 28, 1966 meetings at 2:00 P.M. and 3:00 P.M. respectively at 15 Exchange Place, Jersey City, New Jersey.

Pamcor, Inc.
SAN JUAN, P.R.

General Offices
Harrisburg, Pa.



LISTED

New York Stock Exchange

BOARDS OF DIRECTORS

S. S. AUCHINCLOSS
President

*JAMES R. BEVERLEY
Partner
Beverley, Castro & Rodriguez Lebron

R. M. BRUMFIELD
President
Potter & Brumfield Division,
American Machine & Foundry Company

C. J. FREDRICKSEN
Vice President-Treasurer

F. C. HIXON
President
Midland Investment Company

G. A. INGALLS
Vice Chairman of the Board

C. L. Keister
President
Dauphin Deposit Trust Company

*IVAN REICHARD
Partner
Beverley, Castro & Rodriguez Lebron

J. B. SOLLENBERGER
Retired President
Hershey Estates

U. A. WHITAKER
*Chairman of the Board and
chief executive officer*

*Director of Pamcor, Inc. only

OFFICERS

U. A. Whitaker
Chairman of the Board

G. A. Ingalls
Vice Chairman of the Board

S. S. Auchincloss
President

C. J. Fredricksen
Vice President-Treasurer

William C. Lange
Vice President
Director of Merchandising

S. Wilson Pollock
Vice President
Engineering and Research

Solon L. Rhode, Jr.
Secretary
General Legal Counsel

F. S. Kugle
Controller

†Joseph D. Brenner
Vice President
Manufacturing Division

†Herman C. Haas
Vice President
Domestic Subsidiaries Division

†Marshall M. Holcombe
Vice President
General Patent Counsel

†Franklin E. Howell
Vice President
Industrial Sales Division

†Officer of AMP Incorporated only.

AMP's worldwide capabilities are symbolized by locating on the map below its domestic facilities, its affiliate Pamcor, and its 10 subsidiaries operating abroad.

Electronic communications, depicted on this year's front cover, is a good example of a field where many of AMP's customers desire similar high quality AMP components the world over. The companies shown below are only a few of the many AMP customers manufacturing communications equipment here and abroad and were chosen from Fortune Magazine's list of 500 largest U.S. companies.

